

# ILLINOIS DEPARTMENT OF REVENUE MONTHLY REVENUE REPORT

October

Research Division

Fiscal Year 2013

<http://tax.illinois.gov/AboutIdor/TaxResearch/TaxResearch.htm>

This report analyzes the major revenues forecast by the Illinois Department of Revenue (IDOR) Research Division. It examines how actual revenues compare with the previous year and with current FY 2013 forecasts.

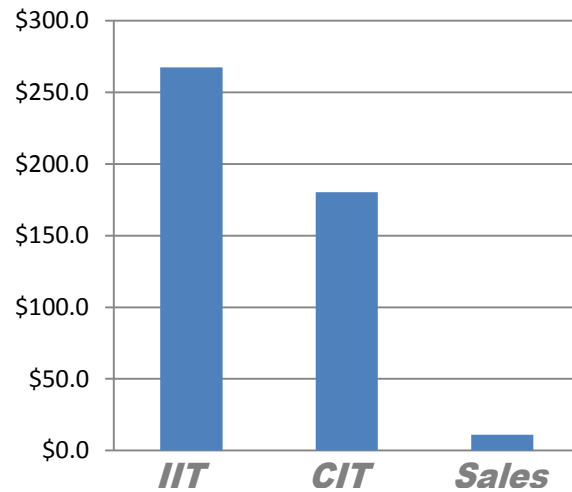
Fiscal Year 2013 revenue receipts through October for individual income, corporate income, and sales taxes ("big three" revenue sources) are \$8,325.7 million. Those receipts are \$458.6 million above last year and \$165.4 million above current estimate.

Individual income tax receipts are \$5,064.0 million. The total is \$267.3 million above last year and \$2.7 million above the current estimate.

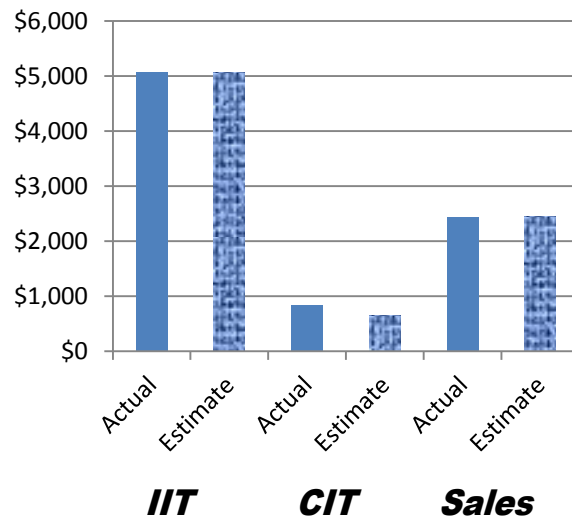
Corporate receipts are \$832.6 million. The total is \$180.3 million above last year and \$187.7 million above the current estimate.

Sales tax receipts are \$2,429.1 million. The total is \$11.1 million above last year and \$25.6 million below our estimates.

**Increase in Year-to-Date Revenues  
FY 2012 and FY 2013 (in millions)**



**FY 2013 Year-to-Date Revenues  
versus Forecasts (in millions)**



**TECHNICAL NOTE:** THE SUM OF INDIVIDUAL TAX COMPONENTS MAY NOT EQUAL THE TOTAL DUE TO ROUNDING.

## *FEATURE – FISCAL CLIFF: WHAT IT MAY MEAN FOR ILLINOIS REVENUE*

Now that the national elections are over, it is time to elaborate on what the “fiscal cliff” entails and how it may affect the State of Illinois.

The fiscal cliff refers to the effect of a number of laws which, if unchanged, could result in tax increases, major spending cuts, and a corresponding reduction in the budget deficit beginning January 1, 2013. In 2010, Congress extended the Bush tax cuts and the 2 percent reduction in the Social Security employee payroll tax for two years both of which are set to expire at the end of December 2012. In addition, when the Congressional super committee failed to reach an agreement to decrease the deficit by \$1.2 trillion over ten years in August 2011, it triggered automatic across-the-board cuts (sequestrations), split evenly between defense and domestic spending, beginning January 2, 2013. Also, the Affordable Care Act start imposing new taxes on families making more than \$250,000 a year and at the same time the Alternative Minimum Tax will come back in 2013. Without new legislation, these provisions will go into effect on January 1 or 2, 2013, increasing taxes, while reducing spending.

Global Insight, in its pessimistic scenario, has policymakers passing an extension of all expiring measures except the payroll tax cut. In this scenario, Global Insight projects this will tip the U.S. economy into a recession where real GDP would contract by 1.3 percent versus 1.9 percent growth and unemployment would reach 9 percent.

If the political grid lock continues in Washington and Congress and the President are unable to come up with mutually acceptable agreements on reasonable tax increases and spending cuts, we can expect the negative consequences of an anticipated recession to significantly impact Illinois’ 2013 tax receipts.

## ➤ Individual Income Tax (IIT)

Four months into the fiscal year, receipts are coming at forecast. Year-to-date receipts are up by \$267.3 million or 5.6% over the same period last year. Total year-to-date revenue is almost the same as the forecasted revenue of \$5,061.3 million with a deviation of just 0.1 percent from target. The main risk to the forecast is the pending negotiations at the federal level and possible changes in fiscal conditions.

Year-to-Date (\$ millions)			
Actual	Forecast	\$ Difference	% Difference
\$5,064.0	\$5,061.3	\$ 2.7	0.1%
FY 2012	FY 2013	\$ Difference	% Difference
\$4,796.7	\$5,064.0	\$267.3	5.6%

It is still uncertain how Congress will tackle the tax cuts and federal spending issues. As we emphasized in our monthly feature a “fiscal cliff” scenario would likely have a detrimental effect on employment during the second part of the fiscal year and therefore on IIT revenue. Our preliminary projections indicate that if this is the case, FY2013 IIT revenue would decline around 1 percentage point.

### Withholding receipts:

The shortfall that we experienced in September was erased by October’s receipts. As anticipated in last month’s report, after accounting for the September in-transit money withholding receipts in October were \$54.8 million higher than the forecast for the month. Year-to-date withholdings receipts are \$129.6 million higher than the same period last year, which represents an increase of 3.0% above FY2012 receipts.

### Non-Withholding receipts:

October estimated non-withholding payments came in \$34.0 million or 28.4 percent above the forecast. Year-to-date receipts from non-withholding are 1.0% above the forecast and 26.8% over the actual receipts from the last fiscal year. There are a couple facts that we have to emphasize. First, non-withholdings receipts during the first four months represent slightly more than 20 percent of the annual total. Second, estimated payments tend to exhibit significant volatility. For these reasons, the current positive results should be treated with caution and do not warrant an upward revision in the forecast.

Components Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
Withholding	\$4,411.7	\$4,415.2	-\$3.5	-0.1%
Estimated and final	\$652.3	\$646.1	6.2	1.0%
<b>Total</b>	<b>\$5,064.0</b>	<b>\$5,061.3</b>	<b>\$2.7</b>	<b>0.1%</b>

*Withholding and estimated and final payments are derived from IDOR collection data and in-transit fund data. Totals may not equal individual components due to rounding.*

## Corporate Income Tax (CIT)

Receipts were \$179.9 million in October, above the forecast of \$104.9 million. Approximately \$32.9 million of the overage comes from a large corporate audit covering several tax years.

Receipts have exceeded forecast for the last five months in a row, as shown in the table below:

Year-to-Date Comparison (\$ millions)			
<b>Actual</b>	<b>Estimate</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$832.6</b>	<b>\$644.9</b>	<b>\$187.7</b>	<b>29.1</b>
<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$652.3</b>	<b>\$832.6</b>	<b>\$180.3</b>	<b>27.6</b>

Month	Fiscal Year	Forecast \$ in millions	Actual, \$ in millions	Difference, \$ in millions
June	12	381.2	484.8	103.6
July	13	67.9	86.8	18.9
August	13	35.2	67.8	32.6
September	13	436.9	498.1	61.2
October	13	104.9	179.9	75.0

The recent Bureau of Economic Analysis (BEA) revision to domestic corporate profits data did not materially impact our baseline forecast for FY 2013. We are reviewing other components of our forecast to determine how they have performed in light of new data, including our estimate of the cost of federal expensing and the cap on the use of Net Operating Losses during FY 2013.

## ➤ Sales & Use Tax

Receipts for the first four months of fiscal year 2013 were 0.5 percent above the same period in fiscal year 2012 and 1.0 percent below our forecast year-to-date. Year-to-date growth has been concentrated in sales and use tax receipts from motor vehicle sales.

Our outlook remains clouded by the same concerns we discussed last month, namely the Budget Control Act of 2011—the so-called “fiscal cliff”—and the expiration of the two-year-old payroll tax cut. Economic forecasts project a mild national recession in 2013 if the tax increases and spending cuts required under the Budget Control Act of 2011 are implemented on schedule. A recession would put downward pressure on state sales and use tax receipts. Likewise, restoring the employee payroll tax rate to 6.2 percent from the current 4.2 percent would have a negative impact on receipts because it would reduce disposable income—the average family would lose about \$1,000 in annual income under the higher tax rate—and hurt consumer confidence. In other words, if the payroll tax rate increases, consumers would have less to spend and feel less like spending what they have.

Year-to-Date Comparison (\$ millions)			
<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$2,429.1</b>	<b>\$2,454.6</b>	<b>-\$25.6</b>	<b>-1.0%</b>
<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>\$2,418.0</b>	<b>\$2,429.1</b>	<b>\$11.1</b>	<b>0.5%</b>

Year-to-Date Comparison (\$ millions)				
	<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
<b>Vehicles</b>	<b>\$ 323.9</b>	<b>\$ 356.3</b>	<b>\$32.4</b>	<b>10.0%</b>
<b>Motor fuel*</b>	<b>\$ 275.3</b>	<b>\$ 259.4</b>	<b>-\$15.9</b>	<b>-5.8%</b>
<b>All else</b>	<b>\$1,818.8</b>	<b>\$1,813.4</b>	<b>-\$ 5.5</b>	<b>-0.3%</b>
	<b>\$2,418.0</b>	<b>\$2,429.1</b>	<b>\$11.1</b>	<b>0.5%</b>

*\*Estimated. IDOR does not have actual data on sales/use tax from motor fuel.*

## ➤ Public Utilities Taxes

### Telecommunications –

General Fund receipts were \$44.2 million for the month and are down 3.6 percent from the forecast year-to-date.

**Electricity –** Receipts for October 2012 were \$36.0 million and are 1.9 percent above forecast for the year.

Year-to-Date (\$ millions)				
	Actual	Forecast	\$ Difference	% Difference
<b>Telecommunications</b>	<b>\$169.2</b>	<b>\$175.5</b>	<b>-\$6.3</b>	<b>-3.6%</b>
<b>Electricity</b>	<b>\$148.5</b>	<b>\$145.7</b>	<b>\$2.8</b>	<b>1.9%</b>
<b>Natural gas</b>	<b>\$12.3</b>	<b>\$22.3</b>	<b>-\$10.0</b>	<b>-44.7%</b>

	FY 2012	FY 2013	\$ Difference	% Difference
<b>Telecommunications</b>	<b>\$172.7</b>	<b>\$169.2</b>	<b>-\$3.4</b>	<b>-2.0%</b>
<b>Electricity</b>	<b>\$146.3</b>	<b>\$148.5</b>	<b>\$2.2</b>	<b>1.5%</b>
<b>Natural gas</b>	<b>\$20.3</b>	<b>\$12.3</b>	<b>-\$8.0</b>	<b>-39.4%</b>

**Natural Gas –** Natural Gas receipts rebounded to \$4.2 million in October. Year-to-date Natural Gas receipts are still \$10.0 million below forecast.

October receipts benefited from having an extra accelerated payment, but are below forecast due to the use of credits by large taxpayers. Year-to-date, large taxpayers have used a net \$5.1 million in credit for overpayments to meet their current tax liabilities.

## ➤ Cigarette Taxes

The number of stamps sold in October 2013 was similar to the number sold in October of the previous year. We had anticipated that distributors would adjust their monthly stamp purchases downward after exhausting the supply of stamps that were hoarded.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds *	\$227.7	\$281.8	-\$54.1	-19.2%
General Revenue Fund	\$108.7	\$118.3	-\$9.6	-8.1%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds *	\$166.5	\$227.7	\$61.2	36.8%
General Revenue Fund	\$117.9	\$108.7	-\$9.2	-7.8%

The major distributors appear not to have done this in October, instead choosing to purchase the same volume of stamps that they did pre-tax increase. We anticipate that distributors will adjust their purchases downward in upcoming months.

Cook County Board of Commissioners approval of their 2013 budget included an increase of its cigarette tax from \$2.00 to \$3.00 a pack. The increase will go into effect March 1, 2013. It is unlikely that the increase will affect the state receipts.

## ➤ Tobacco Products Tax

Year-to-date receipts are slightly ahead of forecast.

Year-to-Date (\$ millions)			
<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
\$16.4	\$15.2	\$1.2	7.9%
<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
\$10.2	\$16.4	\$6.2	60.8%

## ➤ Estate Tax

Fiscal year 2013 first quarter receipts are ahead of forecast due to the change in reporting of July receipts from counties to the Illinois State Treasurer.

Year-to-Date (\$ millions)			
<b>Actual</b>	<b>Forecast</b>	<b>\$ Difference</b>	<b>% Difference</b>
\$120.9	\$ 80.8	\$ 40.1	49.6%
<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
\$ 6.8	\$120.9	\$114.1	1,677.9%

## ➤ Liquor Tax

Receipts for the first four months of fiscal year 2013 were flat compared to the same period last year and just slightly above our forecast year-to-date.

Year-to-Date (\$ millions)	*Includes general revenue funds			
	Actual	Forecast	\$ Difference	% Difference
All Funds	\$95.7	\$95.4	\$0.3	0.3%
General Revenue Fund	\$56.4	\$56.1	\$0.2	0.4%
	<b>FY 2012</b>	<b>FY 2013</b>	<b>\$ Difference</b>	<b>% Difference</b>
All Funds*	\$95.7	\$95.7	\$0.0	0.0%
General Revenue Fund	\$56.4	\$56.4	\$0.0	0.0%



## ➤ Hotel Operator's Occupation Tax (HOOT)

Fiscal year 2013 first quarter receipts are running slightly ahead of forecast.

The Illinois Office of Tourism, in a continuing effort to promote Illinois to holidaymakers in the United Kingdom, has brought in the communications firm of Fleishman-Hillard to manage among other things, the tourism board Facebook page and the Discover Illinois U.K. program.

Jan Kemmerling, Illinois international trade manager said, "With a state so diverse, it can satisfy even the most demanding traveler and it is important that we have a strong UK marketing programme in place to accommodate this".<sup>1</sup>

Year-to-Date (\$ millions)		*Includes general revenue funds		
	Actual	Forecast	\$ Difference	% Difference
All Funds*	\$86.0	\$85.8	\$0.2	0.2%
General Revenue Fund	\$13.2	\$15.0	-\$1.8	-12.0%
	FY 2012	FY 2013	\$ Difference	% Difference
All Funds*	\$84.1	\$86.0	\$1.9	2.3%
General Revenue Fund	\$13.1	\$13.2	\$0.1	0.8%

## ➤ Motor Fuel Taxes

Year-to-Date (\$ millions)		IFTA	
Actual	Forecast	\$ Difference	% Difference
\$22.5	\$24.6	-\$2.1	-8.6%
FY 2012	FY 2013	\$ Difference	% Difference
\$23.9	\$22.5	-\$1.5	-6.1%

Year-to-Date (\$ millions)		Regular MFT	
Actual	Forecast	\$ Difference	% Difference
\$385.9	\$401.0	-\$15.0	-3.7%
FY 2012	FY 2013	\$ Difference	% Difference
\$390.4	\$385.9	-\$4.5	-1.2%

Year-to-Date (\$ millions)		UST	
Actual	Forecast	\$ Difference	% Difference
\$23.1	\$24.2	-\$1.0	-4.2%
FY 2012	FY 2013	\$ Difference	% Difference
\$23.5	\$23.1	-\$0.4	-1.6%

Combined motor fuel tax receipts (regular MFT, IFTA, and UST) for the first four months of fiscal year 2013 were 1.5 percent (-\$6.4 million) below the same period last year and 4.0 percent (-\$18.2 million) below forecast year-to-date.

<sup>1</sup> PRWeek, "Fleishman-Hill brought in for Illinois tourism drive", Retrieved November 8, 2012; <http://www.prweek.com/uk/consumer/article/1157882/fleishman-hillard-brought-illinois-tourism-drive>

## ➤ Real Estate Transfer Tax (RETT)

October's low receipts were due in large part to a deposit of monies from October being posted as November receipts.

We anticipate that November receipts will be closer in line with our year-to-date forecast

Year-to-Date (\$ millions)			
<b>Actual</b> \$15.6	<b>Forecast</b> \$17.0	<b>\$ Difference</b> -\$1.4	<b>% Difference</b> -8.2%
<b>FY 2012</b> \$15.2	<b>FY 2013</b> \$15.6	<b>\$ Difference</b> \$0.4	<b>% Difference</b> 2.6%

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## October and Year-to-Date Receipts and Forecasts (\$ in millions)

Revenue Source Receipts	October FY2012	October FY2013	FY 2012 YTD	FY 2013 YTD	YTD FY 2013 vs. YTD FY 2012		FY 2013 YTD Forecasts	YTD FY 2013 vs. YTD Forecasts		FY 2009 Total	FY 2010 Total	FY 2011 Total	FY 2012 Total	FY 2013 Estimate
Individual Income Tax (IIT)	\$1,132.9	\$1,292.5	\$4,796.7	\$5,064.0	\$267.3	5.6%	\$5,061.3	\$2.7	0.1%	\$10,219.4	\$9,429.8	\$12,301.8	\$16,999.8	\$16,922.4
Corporate Income Tax (CIT)	\$78.3	\$179.9	\$652.3	\$832.6	\$180.3	27.6%	\$644.9	\$187.7	29.1%	\$2,072.5	\$1,648.9	\$2,285.7	\$2,983.0	\$2,921.0
Sales Tax (GRFs)	\$598.4	\$629.3	\$2,418.0	\$2,429.1	\$11.1	0.5%	\$2,454.6	-\$25.6	-1.0%	\$6,772.8	\$6,308.0	\$6,833.0	\$7,225.6	\$7,335.0
Public Utilities (GRFs)	\$79.7	\$84.4	\$339.3	\$330.0	-\$9.3	-2.7%	\$343.5	-\$13.5	-3.9%	\$1,167.8	\$1,089.2	\$1,147.2	\$994.7	\$1,101.0
Telecommunications	\$44.9	\$44.2	\$172.7	\$169.2	-\$3.4	-2.0%	\$175.5	-\$6.3	-3.6%	\$593.3	\$549.5	\$586.9	\$459.6	\$525.0
Electricity	\$31.3	\$36.0	\$146.3	\$148.5	\$2.2	1.5%	\$145.7	\$2.8	1.9%	\$402.9	\$381.4	\$401.2	\$390.0	\$409.0
Gas	\$3.5	\$4.2	\$20.3	\$12.3	-\$8.0	-39.4%	\$22.3	-\$10.0	-44.7%	\$171.5	\$158.3	\$159.1	\$145.2	\$167.0
Estate Tax (GRFs)	\$2.7	\$26.9	\$6.8	\$120.9	\$114.1	1677.9%	\$80.8	\$40.1	49.6%	\$287.7	\$243.4	\$122.2	\$234.8	\$242.0
Cigarette (All Funds)	\$40.8	\$84.6	\$166.5	\$227.7	\$61.2	36.8%	\$281.8	-\$54.1	-19.2%	\$564.0	\$557.8	\$560.8	\$577.4	\$853.0
Tobacco Products	\$2.5	\$4.7	\$10.2	\$16.4	\$6.2	60.8%	\$15.2	\$1.2	7.9%	\$21.4	\$24.0	\$27.4	\$29.0	\$40.0
Regular Motor Fuel Tax	\$99.9	\$93.1	\$390.4	\$385.9	-\$4.5	-1.2%	\$401.0	-\$15.0	-3.7%	\$1,248.6	\$1,165.4	\$1,157.6	\$1,145.3	\$1,176.0
Motor Fuel - IFTA	\$4.0	\$3.2	\$23.9	\$22.5	-\$1.5	-6.1%	\$24.6	-\$2.1	-8.6%	\$144.0	\$103.0	\$84.9	\$75.1	\$77.0
Ug. Storage Tank	\$6.0	\$5.7	\$23.5	\$23.1	-\$0.4	-1.6%	\$24.2	-\$1.0	-4.2%	\$74.8	\$70.8	\$71.2	\$69.5	\$71.0
Liquor (GRF)	\$13.3	\$13.2	\$56.4	\$56.4	\$0.0	0.0%	\$56.1	\$0.2	0.4%	\$157.6	\$158.5	\$157.4	\$164.4	\$163.0
Insurance Tax (GRFs)	\$0.9	\$22.3	\$82.8	\$88.5	\$5.7	6.9%	\$75.0	\$13.5	18.1%	\$334.3	\$322.4	\$316.1	\$344.6	\$285.0
Franchise Tax (Corp Division)	\$14.6	\$24.3	\$68.1	\$73.4	\$5.2	7.7%	\$70.8	\$2.6	3.7%	\$201.5	\$208.0	\$207.3	\$191.6	\$203.0
Real Estate Transfer Tax	\$3.4	\$2.2	\$15.2	\$15.6	\$0.4	2.6%	\$17.0	-\$1.4	-8.2%	\$45.6	\$40.3	\$38.0	\$42.0	\$43.0
Private Vehicle Use (GRFs)	\$2.2	\$2.1	\$10.2	\$10.3	\$0.1	1.1%	\$10.2	\$0.1	1.2%	\$27.3	\$30.2	\$30.3	\$28.7	\$29.0
Hotel Tax (All Funds)	\$18.4	\$20.5	\$84.1	\$86.0	\$1.9	2.3%	\$85.8	\$0.2	0.2%	\$203.3	\$173.1	\$191.7	\$207.9	\$216.0